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ABSTRACT

The Employment Service (ES) was established by the Wagner-Peyser Act of 1933. The act established a nationwide network of state-operated, federally financed employment service offices to match workers to jobs. The following services are performed by the ES: employment counseling, special assistance to target populations, the "work test" for unemployment insurance claimants, certification of individuals for a tax credit program, enforcement and compliance activities, and labor market information. Additional responsibilities include placement of veterans, addressing post-World War II employment trends, importation of foreign workers, and services to dislocated workers. The ES has served millions of persons. Five key issues may improve employment service operations: (1) the role of ES--whom should it serve and what services should be provided; (2) the relationship between ES and Job Training Partnership Act; (3) the appropriate role of the ES in administering the "work test"; (4) the role of the ES in enforcement and compliance activities; and (5) financing the ES and allocation of resources. ES programs and agencies can coordinate when objectives are well specified. (Endnotes, 41 references and 2 appendices are included. Appendix A contains a list of witnesses at two hearings on "Improving the Effectiveness of the Employment System" and appendix B lists other individuals providing testimony.) (NLA)

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IMPROVING THE EFFECTIVENESS OF THE EMPLOYMENT SERVICE: Defining the Issues

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National Commission for Employment Policy

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IMPROVING THE EFFECTIVENESS OF THE EMPLOYMENT SERVICE: Defining the Issues

Research Report 91-01

by

Robert G. Ainsworth
National Commission for Employment Policy

October 1991

National Commission for Employment Policy

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PREFACE

In response to a congressional mandate regarding the role of the Employment Service (ES) in assisting dislocated workers under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), the National Commission for Employment Policy undertook several activities. It reviewed past empirical and institutional research on the Employment Service, conducted hearings on issues of importance to improving the effectiveness of the Agency, reviewed fifty state plans for implementing EDWAA, held discussions with numerous state and local officials responsible for administering the Employment Service and EDWAA, and undertook new empirical research on the Employment Service.

Findings from all these endeavors are contained in a Special Commission Report, Assisting Dislocated Workers: Alternatives to Layoffs, and the Role of the Employment Service under the Economic Dislocation and Worker Adjustment Assistance Act. Detailed findings on the new empirical work on the effectiveness of the Employment Service in assisting dislocated workers and a review of other empirical work on the effectiveness of the Agency are contained in the Research Report, The Effectiveness of the Employment Service in Serving Dislocated Workers: Evidence from the 1980s.

This Research Report presents findings from a review of the institutional literature on the Employment Service, discussions with officials in the employment and training community, and from the Commission's hearings.

Many of the issues addressed in this report are not new. However, they merit renewed consideration in light of the continuing changes in the labor market; changes in federal, state and local relationships; and the addition of a wide variety of responsibilities to the Employment Service's original mission as a free labor exchange for both employers and job-seekers.

The author of this report is Robert G. Ainsworth, a member of the Commission's staff. A draft version was reviewed by members of the Commission staff, Dr. Carol Romero, Ms. Barbara Oakley, and Ms. Kathi Ladner.

On behalf of the Commission and its staff, I would like to take this opportunity to thank the many dedicated people in the employment and training community who generously shared their knowledge with us, and gave of their time, during the development of this report.

JOHN C. GARTLAND
Chairman

I. Introduction

In the Omnibus Trade and Competitiveness Act of 1988, Congress directed the Commission to examine issues of worker dislocation and to report on the role of the Employment Service (ES) in aiding dislocated workers. As part of this project, the Commission determined that to fully understand how the ES serves dislocated workers it was important to undertake a review of the way the ES has operated overall, with attention to the variety of responsibilities it has been given even as available resources have declined. The purposes of this examination were to 1) identify issues of importance to improving the effectiveness of the ES, and 2) report on the findings related to these issues.

This report is based on a review of the literature, discussions with individuals experienced with ES operations, and testimony provided at two Commission-sponsored hearings on "Improving the Effectiveness of the Employment Service" held in December 1989. Witnesses at the hearings included officials of the ES and the Job Training Partnership Act (JTPA) systems, and others knowledgeable about the ES (see Appendix A).

The report begins by reviewing the variety of functions added to the Agency's original mission as a labor exchange and the reasons why there is a sense of unfilled potential that often pervades discussions of the agency (Section II). Section III defines and discusses the key issues, including the role of the ES; its relationship with JTPA programs; ES involvement in administering the "work test"; its role in enforcement and compliance activities; and how the ES could be financed. Conclusions are given in section IV.

II. Background

The Employment Service (ES), called the Job Service in some states, was established by the Wagner-Peyser Act of 1933 during the worst economic depression in the Nation's history. The Act established a nationwide network of state-operated, federally-financed employment service offices to serve as a labor exchange to match available workers with available jobs.

During more than a half-century of operation, the ES has experienced changing labor markets, changing Federal-state relationships, and the addition of a variety of responsibilities to its original mission as a labor exchange.

While the ES was originally established as a labor exchange, it now has a wide variety of missions and can be viewed as having the following functions:

1. to provide a labor market exchange to assist workers in finding jobs and employers in filling job openings;

2. to provide counseling, testing, referral, and other services to complement the labor exchange function;

3. to provide special assistance to targeted populations, such as low-income individuals, veterans, dislocated workers, and migrant and seasonal farm workers;

4. to carry out the "work test" (or eligibility determination) for Unemployment Insurance (UI), Food Stamps, and Aid to Families with Dependent Children (AFDC) recipients to assure that employable individuals supported by public funds accept appropriate employment when available;

5. to certify individuals who qualify for the Targeted Jobs Tax Credit (TJTC) program;[1]

6. to engage in enforcement and compliance activities, such as certifying the importation of foreign workers (for example, by demonstrating that the supply of American workers was inadequate) and enforcement of standards for employer-provided migrant housing; and

7. to provide labor market information needed by governments, industry, and private citizens for making decisions regarding investments in training and education, as well as the formulation of economic development strategies.

In carrying out these missions there are many variations among the fifty states in administrative policies and procedures as well as local ES office work activities. Variations from one state to another reflect differences in the structure of state organizations, the size of the areas served, local labor market conditions, administrative style, and the quality of personnel rather than basic program operations.[2] A review of the historical perspective on the institutional development of the ES reveals two important lessons: 1) federal, state, and local relationships have continuously changed as Administrations and the Congress redefined the ES's organizational responsibilities and 2) at the same time, targeted group priorities and institutional missions have changed.[3]

Additional Responsibilities of the ES

Briefly described below are examples of how the ES has been affected over the years by legislation other than Wagner-Peyser and by other priorities which have stemmed from a combination of statutes, Executive Orders, and public policy determinations.[4]

The first major change affecting the ES was the passage of the Social Security Act in 1935 which established the Unemployment Insurance program. Under this Act, the functions of the ES were expanded as states were required to pay benefits only to UI claimants registered at a public employment office. The requirement that UI claimants register with the ES was to assure that such individuals, supported by public funds, accept appropriate employment when available. As a result, the "work test" for mandatory registrants became a function of the ES.

In 1942, the Agency was federalized and transferred to the War Manpower

Commission where the ES was responsible for seeing that national civilian manpower requirements were met. The duties of the War Manpower Commission included assisting employers in filling vacancies caused by the draft and enlistments, recruiting people for war production who were not usually in the labor market, transferring workers from less essential industries, directing the flow of migratory workers, and certifying the need for the importation of labor.

Additional responsibilities were given to the ES by Title IV of PL-346, the Servicemen's Readjustment Act of 1944 (the GI Bill of Rights) which required counseling and preferential placement of disabled veterans over veterans, and veterans over non-veterans. Also, the educational programs of the GI Bill, with particular emphasis on apprenticeship and on-the-job training, placed new demands on ES testing, counseling, and placement responsibilities.

The ES was also involved in addressing labor market problems the nation would face at the end of World War II. Such problems included anticipated, widespread dislocation of workers as a result of cutbacks in war production plants, the entry of several million war veterans into the postwar economy, and the need to examine postwar employment trends for the guidance of students and trainees.

Importation of foreign workers to supplement local and migratory workers became a major responsibility of the ES when the border was closed to Mexican nationals in 1954. Under the terms of PL-78, which then regulated the importation of labor, the ES had to meet three conditions in order to bring in foreign workers. First, the ES had to demonstrate that the supply of American workers was inadequate; second, wages of U.S. workers would not be affected adversely; and third, the imported workers would be paid the prevailing wage for American workers.

Also during the Fifties, there was a proliferation of services to special groups of applicants including youth, the disabled, older workers, Indians, and ex-offenders. These groups were singled out for attention either because of changes in legislation or government policy, or because there seemed to be a special need for assistance to a particular group.

In the Sixties, the Congress and the Administration assigned additional responsibilities to the ES as the result of the passage of four major pieces of legislation:

- The Area Redevelopment Act of 1961 (ARA) was implemented during the Nation's third recession in seven years. Its purpose was to assist areas experiencing chronic economic distress. Under ARA, the ES was required to cooperate with the U.S. Department of Commerce by supplying information on unemployment by labor market areas which the Secretary might use in deciding whether or not they qualified for federal assistance. The ES was also required to help establish training programs for the unemployed in depressed areas by selecting trainees and, after their training was completed, placing them in jobs.

- The Manpower Development and Training Act (MDTA), enacted in 1962, was in response to a recession and technological change. MDTA brought a major new assignment to the ES which involved determining applicants' eligibility for training and referring those qualified to

suitable programs; canvassing employers to determine employment needs; cooperating with educational authorities in deciding what training should be given; and placing workers after courses were completed.

- The Vocational Education Act of 1963 added other responsibilities to the ES. The objectives of this Act were to bring vocational education in line with labor market requirements and to secure closer cooperation at the state and local levels among employers, unions, school authorities, and the public employment service. The law required the ES to cooperate with state and local educational officials by providing information on occupational trends in labor markets that could be used in curriculum development and counseling.

- In 1964, the declaration of the "war on poverty" and the passage of the Economic Opportunity Act of 1964 added still other duties to the ES. The purpose of this law, which was aimed primarily at the poor and disadvantaged, was to help eliminate poverty by improving everyone's opportunity to work. Under this legislation, the Agency was requested to recruit, interview, and refer to the appropriate agencies young people who would be eligible for, and could benefit from, these programs.

As each of the above programs were added and the ES was required to accommodate new and expanding goals, the Agency de-emphasized its labor exchange mission. The ES was also faced with inadequate administrative funds which, along with the federal emphasis on services to the disadvantaged, brought about a de-emphasis of placement services to mainstream job applicants.

Another major change affecting the role of the ES came with the implementation of the Comprehensive Employment and Training Act (CETA) in 1974. This legislation withdrew the ES from line responsibility for training programs and provided the opportunity for the Agency to return to its labor exchange mission. CETA also called for a division of labor between training by CETA and placement by the State Employment Security Agencies (SESA's).

In addition, the ES has faced the challenge of rationalizing its relationship to other labor market intermediaries and employment development institutions. It has also had to determine whether various activities assigned to it over time were appropriate in view of its original, basic mission as a labor exchange. As a result of these concerns, and dissatisfaction with the federal funds allocation procedure, Congress responded in 1982 with the first major amendments to the Wagner-Peyser Act in almost 50 years.

The 1982 Job Training Partnership Act (JTPA) amendments to the Wagner-Peyser Act placed more control for the planning and operation of the ES at the state and local levels, set out a list of labor exchange services, created a legislative funding formula, and provided that many of the special national activities carried out by the ES would be funded through reimbursable contracts with the federal government.[5]

The amendments addressed two major complaints regarding the federal role in the ES by (a) devolving administrative responsibilities to the states and (b) simplifying fund allocation procedures.

The amendments did not, however, significantly clarify the ES mission or define its relationship to either JTPA or UI. Instead, the amendments gave this responsibility to state and local policymakers.

Under the Economic Dislocation and Worker Adjustment Assistance Act of 1988 (EDWAA), which amended the previous JTPA-Title III program, the ES has been given a greater role in serving dislocated workers. In addition, EDWAA has promoted greater coordination between the ES and JTPA in serving this group. For example, the ES is one agency typically represented on EDWAA's mandated Rapid Response Teams. These Teams provide employment and training services to workers who have been notified that they are about to be dislocated.

ES Services and Applicants

In face of all these changes and additional responsibilities, the ES has continued to serve millions of persons. During PY 1988, approximately 18.1 million applicants registered with local ES offices. Of this number, over 7.4 million were referred to jobs and over 3.2 million persons were placed in jobs. In addition to these services, over one-half million persons received counseling and over one-quarter million persons were referred to training. Nationally, ES offices received approximately 7.2 million job openings from employers.[6]

The latest available data indicate that of the 18.1 million persons registered, 44 percent were women, 35 percent UI claimants, 18 percent were economically-disadvantaged individuals, 13 percent veterans, and one percent were migrant and seasonal farm workers.

To help serve job-seekers more effectively, the ES has been making greater use of the Interstate Job Bank System. During the 12-month period ending June 30, 1989, about 122,400 job openings were listed on the system's microfiche, approximately 40 percent of which were professional, technical, and managerial jobs.[7]

Although the ES provides services to millions of workers at a relatively low cost -- it has been estimated that the benefit - cost ratio is 1.8[8] -- there is a sense of unfulfilled potential which often pervades discussions of the Agency. Among the reasons for this are:

- the ES accounts for a small percent of total job placements in the American economy;
- a majority of job vacancies listed with the ES are relatively low paying jobs, entry-level positions in domestic service, clerical occupations, and high turnover blue collar occupations; and
- the applicant pool of the ES consists primarily of persons with special labor market difficulties -- those individuals with disabilities, limited work experience, and few vocational skills -- and under-represents workers from the "mainstream" labor force.

As pointed out at the Commission's hearings, these reasons could be viewed as misplaced criticism. As the witnesses stated, the ES is the only, widely available, free source of labor exchange services for employers and many applicants who would not be adequately served by other government programs or private placement agencies. Analysis of occupational distributions suggest that there are many

more entry level and lower paid jobs than higher paid ones. Also, if most job-seekers do not use the ES or use it only as one part of a job-seeking strategy, it should not be surprising that the ES assists people who do need some extra help. Finally, the ES should be providing more assistance to those individuals who cannot find jobs by other means.

There are other reasons why the effectiveness of the ES may be hindered. First, better coordination between the ES and JTPA, and other related programs, is needed to eliminate undesirable duplication.

Second, some of the ES's missions may conflict with one another. As examples:

- If the ES is to be an effective labor exchange, it must select well qualified applicants for each job opening, otherwise, employers may be reluctant to list job openings with the ES. Selecting appropriate applicants, however, could conflict with the referral of members of targeted groups.

- The administration of the work test has sometimes been viewed as being disruptive to the operation of the ES, particularly during times of high unemployment. During such periods, UI claims taking and processing can become increasingly heavy, interfering with the efficiency and effectiveness of labor exchange services for other registrants.

- ES enforcement and compliance activities, such as immigration labor certification and the enforcement of housing standards for migrant workers, have been viewed as being inconsistent, and in conflict with, the ES's labor market exchange functions.

Third, the ES experienced a decrease in federal funding in 1982 when the Agency's program budget was reduced as part of the Reagan Administration's overall budget reduction effort. (The funding declined from approximately $675 million in 1981 to approximately $610 million in 1982.) Although funding levels increased somewhat in subsequent years, real (inflation-adjusted) funding declined by almost 7 percent from 1984 to 1987. By 1987, inflation-adjusted funding of the ES was about $640 million. Largely due to budgetary constraints, the number of local ES offices has declined from about 2,400 in 1980 to about 1,800 in 1988.[9]

Many studies over the years have attempted to document the shortcomings of the ES, as well as some of the contributions the ES has made to job-seekers and to the U.S. economy in general. Based on these studies, discussions with persons knowledgeable about the ES system, and testimony the Commission heard at its December 1989 hearings, the following delineates issues of importance to improving the effectiveness of the Agency.

III. Key Issues To Improving Employment Service Operations

A. What should be the role of the Employment Service (ES): Whom should it serve and what services should be provided?

There appears to be a consensus supporting a free, public labor exchange in the U.S. but there is also much support for improving the effectiveness of this national system.[10] Because of changes in labor markets and federal-state relationships, and the additional responsibilities assigned to the ES over the past 57 years, there has been support for a new legislative mandate which would redefine ES's role more clearly with an emphasis on the basic principles in the Wagner-Peyser Act. That is, the provision of basic labor exchange services to both job-seekers and employers, such as counseling and placement services; providing for a system of labor market information and job matching; and the addition of job search assistance and related activities.

The issue of who should be served by the ES and what services should be provided has surfaced over the years because of the large number of groups which, in the past, have been mandated to receive assistance (and, most recently, because of the declining ES budget in real dollars). This has led to complaints that the ES has so many priorities that there are, in fact, no priorities.

The ES assists in finding suitable employment for any unemployed, underemployed, or employed worker, including new or re-entrants, who, voluntarily or on a mandatory basis, registers with the ES. In addition, the ES assists any employer listing legal job orders with the Agency by recruiting suitable workers. Ancillary services, such as counseling, testing, career information, etc., are also available to applicants, employers, and local communities needing such assistance.

As noted earlier, the large number of priority groups served by the ES stems from a combination of statutes and Executive Orders added to the original Act which mandates that specialized services be provided to targeted groups such as individuals with disabilities, ex-offenders, the disadvantaged, veterans, migrant and seasonal farm workers, minority workers, youth, women, and UI and other public assistance recipients.

Another reason expressed for the concern over the large number of groups served is that the ES may be more effective in serving some groups of clients than others, particularly in light of the existence of other systems, such as the Job Training Partnership Act (JTPA).

Confirming the general consensus of the literature, witnesses at the Commission's hearings in December 1989 testified that the ES should continue to provide free, public labor exchange services to all job-seekers

and all employers. Labor exchange services are viewed as the ES's most important role.

There was general agreement that services should not be limited to specific groups because employers need to have the most qualified workers referred to job openings. An emphasis on serving targeted individuals with multiple barriers and those with the fewest skills was viewed by the witnesses as interfering with the ES's ability to refer the most qualified job applicants; therefore, subjecting the Agency to some criticism. The underemployed and the mainstream worker also need quality services. For example, some dislocated workers and others who have lost their jobs due to technological change will require additional help to become re-employed. Also, some employers need assistance in filling job openings above entry level.

While many employers make limited use of the ES, according to testimony, they do feel the ES is an effective source of assistance for applicants who have been looking for work for a protracted period. The ES also appears to be more effective in finding employment for those who are unemployed rather than in finding better employment for those who already have jobs.

While in general agreement with the literature, the witnesses were more specific in identifying the basic labor exchange services they believed the ES should provide for job-seekers. These services are:

- assessment of job-seekers' aptitudes, abilities, and skills levels through counseling, testing, and providing labor market information, including occupational and career information;
- referral of qualified applicants to appropriate and available job listings;
- for applicants who need additional skills, referral to training opportunities in JTPA and other training agencies and/or to those supportive services necessary to gain or sustain employment, such as basic educational services, counseling, vocational guidance, transportation and day care assistance, and drug and alcoholic rehabilitation services; and
- ancillary services that will assist applicants in finding employment where no current job opening exists for them. (Such services include vocational testing and counseling, job development, career information, and job search assistance workshops.)

Witnesses were also specific regarding the basic labor exchange services they believed should be provided to employers:

- recruiting, assessing, selecting, and referring of the most qualified applicants to employers;
- assisting employers with affirmative action programs by providing both applicant information and assistance in recruitment; and
- providing technical support and labor market information to employers with specialized needs, including new and small businesses, high tech employers, and businesses in areas of severe labor shortages,

furnishing information to employers for relocation or expansion, and assisting with the re-employment of workers laid off due to plant closures or workforce reductions.

There was broad agreement that veterans should continue to receive priority treatment and that the ES should continue to play a role in administering the "work test" for recipients of Unemployment Insurance (UI), Food Stamps, and Aid to Families with Dependent Children (AFDC). Many witnesses called for an improvement in, and expansion of, labor market information for both job-seekers and employers.

While the ES should continue to be open to everyone, this does not mean however that all applicants and employers will use its services or that all who use it will receive the same type of service.

There are a number of reasons why employers do not use the ES. Many employers, and particularly small businesses, are not aware of the availability of job applicants through the ES or of the ES's capacity to refer qualified individuals to them. More often, the business community relies on word of mouth, advertising, and referrals by other individuals and private employment agencies before contacting the ES. ES services such as counseling, testing, and career information are not well known to some employers who could benefit from such services.

Recruiting local employers to use the ES is becoming increasingly difficult due to the higher skill levels, education, and experience required for many new jobs. There is a perception among some employers that the use of the ES will slow the hiring process during times when critical needs have to be satisfied within the business sector. Some firms, due to previous experiences, believe that the ES does not have a good understanding of their job opening requirements since many applicants referred have not had the necessary skills or experience.

Several additional suggestions were made by the witnesses as to how the ES could better serve both employers and job-seekers and be better positioned to alleviate future labor and skill shortages.

For example, there was a call for more emphasis on labor exchange services (such as counseling, testing, and referral to training) that help to increase the number of skilled workers in the workforce. Continuing the traditional offering of labor exchange services in an environment of labor and skill shortages, may only shift workers from one employer to another. Changing the focus of labor exchange services from worker placement to worker preparation would represent a major change in the role of the public labor exchange system. However, it would put the labor exchange system in the forefront of identifying skill gaps and assisting educational and job training entities in identifying skill needs that will help to alleviate labor and skills shortages. According to testimony, this change would not require a cadre of new labor exchange services but rather improvements in intake, counseling, testing, referral, and employer technical services. Some witnesses also noted the need to modernize ES offices and to continue automation of services.

The Commission learned that reduced real funding has led to a cutback in both services and staffing levels in most ES offices. In some cases, job matches are superficial and, therefore, not successful for either the employer or the applicant. This, in turn, leads to greater employer dissatisfaction

and worker frustration. Without the resources to provide needed assessment, counseling, job search skills instruction, and other ancillary services, the ES will likely continue to have low success rates with those applicants most in need. It will also be difficult for the ES to become the employment source of choice for most employers.

As alluded to earlier, several witnesses suggested that an increase in staff size and training would lead to an improvement in the quality of services. Also, there should be more emphasis on the quality of services provided rather than on the numbers of applicants served. Individual productivity goals for ES staff in some states are so high the priority is to refer individuals to any job, just to obtain placement credit. Testimony suggests the need for quality review measures to determine how long the individual remains employed, as well as measurements of employer and worker satisfaction.

As part of the emphasis on quality of services, witnesses believe that more focus should be placed on services to employers. For example, in some areas, the interstate job bank system could be expanded to allow more services for the higher skilled workers the business community needs. However, concerns were also expressed about the cost effectiveness of such a system given that the focus of the ES is primarily on workers for whom a job change across state lines is unlikely.

While there are no federal standards for monitoring the ES, a majority of states have implemented systems for tracking performance. At the Commission's hearings, ES officials and employers, including Private Industry Council (PIC) and Job Service Employer Committee (JSEC) members, as well as JTPA directors, testified that there is a need for either federal or state performance standards. Such standards were seen by these witnesses as important for assessing the effectiveness of ES activities.

B. What should be the relationship between the ES and the JTPA?

Another important factor in determining the role of the ES is the relationship between the ES and JTPA. Specifically, there is concern regarding duplication and overlap of activities provided by the two systems, for example, job referral, job placement, and job development.

For several decades after its creation in 1933, the ES was the only public agency offering employment or placement services to the general workforce. Over the years, the situation has changed. Currently, training and job placement occurs in JTPA, dislocated worker programs, vocational education programs, and customized programs in some industries. This growth in employment assistance programs has led to greater competition among agencies for funding, clients, and job leads, with the ES occasionally losing ground to other programs. In addition, the increase in employment initiatives has called for increased attention to the need for improved coordination.

Although JTPA offers comprehensive employment and training services, JTPA and the ES share some common elements: both systems provide job development services and refer and place clients; serve "at risk" and economically-disadvantaged individuals; and are federally funded, yet administered and operated primarily at the

state and local levels. Therefore, in many ways the two systems operate along parallel tracks -- a circumstance that can lead to either a cooperative or competitive relationship.

When JTPA was enacted, the common objectives of the two systems were taken into account through amendments to the Wagner-Peyser Act which mandated a considerable level of coordination between the two programs. For example, JTPA requires that "applicable components of the local ES plan" be developed jointly with JTPA. The plan must "take into consideration proposals developed by the Private Industry Council (PIC) and chief elected officials." The State Job Training Coordinating Council must later certify the plan has been jointly agreed to by the ES and appropriate PICs and/or chief elected officials; otherwise, the plan is returned for modification. If agreement between ES and JTPA is not reached, dissenting views from JTPA are submitted with the plan to the U.S. Secretary of Labor. Further, the ES planning timetable was changed to conform with the JTPA program year (July 1 - June 30).

Based on the National Alliance of Business' (NAB) most recent survey of those who administer JTPA programs,[11] as well as testimony at the Commission's hearings, the ES's inherently close affiliation with JTPA has led to cooperative relationships in some cases and competitive relationships in others. Because they both pursue a common goal -- to place unemployed individuals in jobs -- the two systems sometimes compete for many of the same clients, job leads, employer contacts, and placement credits. As a result, "turf" issues are highest on the list of obstacles to further JTPA/ES coordination.

Based on testimony at the Commission's hearings more detailed concerns were raised:

1. The goals of the two systems are measured differently. While national performance standards are mandated for JTPA programs, there are no such standards mandated in the Wagner-Peyser Act. However, many states have instituted their own performance measures. Although both systems focus on placement in jobs as the end result of services to adults, measures differ between the two programs. For example, JTPA has several standards; prior to PY 90, they included placement into a job (one day or longer), earnings at placement (average hourly wage), and cost per placement, among others. Beginning in PY 90, greater emphasis was given to long-term employment outcomes for adults. For example, the new set of performance standards includes employment status in the 13th week after leaving the training program and earnings during that week. The ES has only one basic standard: placement in a job (one day or longer).

2. The ES focuses on immediate referral and placement whereas the focus of the JTPA system is both on training and job placement. There may be conflict between the two systems when an applicant is interested in an immediate job but needs training.

3. The ES is a state organization with basically the same rules and structure throughout the state. JTPA has more of a local focus which allows for a significant degree of variations among localities within a state in terms of which individuals will be served; what services will be provided; and how such services will be delivered.

4. The ES is staffed by state government personnel and, therefore, must follow state and federal regulations such as salary guidelines, and federal rules as to which staff can provide which services (for example, veterans' representatives can only serve veterans). JTPA service delivery area staff may be county, city, or non-profit corporation staff, and, therefore, they may be governed by very different rules and regulations. There are also fewer restrictions on individual JTPA staff functions. All of this suggests difficulties managing the ES and JTPA staff when they are co-located in the same office.

5. The private sector plays a major role in both programs, but their responsibilities are vastly different. Private Industry Councils have oversight and policy responsibilities for JTPA, and, in many cases, the PICs actually administer JTPA locally. Job Service Employer Committees, on the other hand, are advisory in nature and have little, if any, power to affect local ES office goals or structure.

While there are several fundamental differences between the ES and JTPA systems, several states have co-located their ES and JTPA staff in recognition of the natural relationship and broad, common objectives of the two programs. According to testimony, this cooperation and coordination has helped eliminate overlap in the activities of the ES, UI, and JTPA. In some states, such as Kansas, coordination and cooperation have occurred between the activities of the ES and JTPA as well as with those of educational agencies, social service programs, and economic development groups.

The "Job Center" concept in Pennsylvania and "Jobs New Jersey" are other examples of coordinating ES and JTPA activities. For instance, in Pennsylvania close coordination between ES and JTPA programs is facilitated by administratively centralizing both programs within the Department of Labor and Industry under the supervision of the Deputy Secretary for Employment Security and Job Training. Not only are statewide plans jointly developed but the local area plans are also jointly developed and implemented. Employer and community advisory councils for both programs are also closely linked to foster coordinated programs at every level of operation.

While solving coordination problems can best be accomplished at the state and local levels, there was some support at the hearings for a federal role in coordination. The federal responsibility was viewed as providing leadership, resources, and encouragement to the states; fostering capacity building in both systems; and providing the tools for coordinated programming based on research findings and sound administrative practices. Such tools might include federal activity in test development and refinement; keeping the Dictionary of Occupational Titles (and other occupational compendia) current with technological and workforce changes; developing national automated systems for

client services and quality measurement; developing and promoting model programs; defining national goals and measures; and monitoring equity of service.

The recent implementation of EDWAA has improved coordination of the ES and JTPA in serving dislocated workers in many of the states. EDWAA mandated increased linkages and coordination among state and local agencies serving dislocated workers in order to reduce duplication of services. However, it did not explicitly specify how this coordination should be achieved. Consequently, the ES's involvement and the extent to which it receives EDWAA funds varies greatly among states. (There is no similar mandate for increased linkages and coordination for the provision of services to those eligible for the JTPA Title II program.)

A review of all state EDWAA plans during the summer of 1990 revealed that about 65 percent of the states had merged existing departments or created new departments as "umbrella agencies" to link ES, UI, Trade Adjustment Assistance (TAA), and JTPA services.[12] (Some of these states had linked employment and training services prior to EDWAA.) In these states, employment and training programs are administered by one department composed of the agencies responsible for providing EDWAA services. This system is headed by a single administrator who is designated by the Governor and has responsibility for ensuring coordination of all employment and training programs. In such systems, there are significant reductions in the duplication of services among agencies due to the extensive coordination inherent in its organizational framework.

Under an umbrella agency system, the ES has a major role in the delivery of EDWAA services. In over 40 percent of these states the ES has been designated as the lead agency in administering all employment and training programs. Furthermore, in a majority of umbrella agency states, the ES has been designated as the Dislocated Worker Unit and/or is in charge of Rapid Response Teams that are responsible for providing employment and training services to workers who have been notified that they are about to be dislocated. Also, to ensure the coordination of TAA with EDWAA, some umbrella agency states have located the TAA coordinator within the Dislocated Worker Unit.

In states that do not have an umbrella agency, more than one Administrator is involved in implementing and administering employment and training programs. This structure is commonly referred to as a "non-umbrella agency." These states vary in the way employment and training agencies interact.

In some non-umbrella agency states, the JTPA agency, utilizing the EDWAA state 40% funds, has a financial contract with the ES for the provision of services to dislocated workers. In other non-umbrella agency states, the ES may be indirectly involved with JTPA through interagency cooperative agreements. These agreements describe the role of each agency in coordinating the delivery of UI, ES, TAA, and EDWAA services to dislocated workers. Since these interagency agreements are not as binding as financial contracts, what is on paper may not be fully practiced.

C. What is the appropriate role of the ES in administering the "work test?"

As noted earlier, following enactment of the Social Security Act in 1935 (which established the unemployment insurance program), the role of the ES was expanded as states were required to ensure that UI benefits were paid only to UI claimants registered through a public employment office. In 1971 the ES assumed the responsibility for registering and conducting a work test for special Food Stamps and AFDC program recipients. The basic purpose of the work search requirement is to assure that employable individuals supported by public funds accept appropriate employment when available.

To be eligible for benefits, as required by all state laws, a UI claimant must be able to work, available for work, and free of disqualification for causes, such as failure to seek work or refusal to accept suitable employment. A claimant who is unable to work or unavailable for work may be declared ineligible for UI benefits for as long as the condition continues, whereas disqualifications "for cause" lasts for a period explicitly specified in state laws. The process of identifying noncompliance with these eligibility standards is termed "eligibility determination" -- or, in more common terms, the administration of the work test. In general, states differ widely in how they both define and administer these eligibility standards.[13]

While the UI system has the major responsibility for administration of the work test, the ES refers UI claimants to job openings and monitors their work search. However, there are variations among states as to how ES and UI offices coordinate in the administration of the work test activities. How strictly the test is administered also varies across states and over time as local economic conditions change.

Because the number of UI registrants is relatively large -- currently about 35 percent of total ES registrants -- there has been much debate over the years about the impact of the work test on other ES operations.

While, in theory, the work test and labor exchange functions need not conflict, some of the literature suggests the ES's "policing" function of administering the work test has clashed with its "helping" function of providing labor exchange services to other registrants. This body of literature argues that the registration process for UI claimants is extremely time-consuming for staff, particularly during periods of high unemployment; UI recipients often are able to find their own jobs; the work test may not measurably help claimants find jobs; and some employers resent having workers referred to them who merely are fulfilling work search requirements and have refused to list job openings with the ES for this reason. Consequently, there has been some support for separating the ES from the administration of the work test.[14]

On the other hand, there is a body of literature that suggests the work test has beneficial effects in lowering the rate of insured unemployment.[15] For example, the findings of some relatively recent studies indicate that:

- In administering the work test, the threat of a severe penalty, that is, the long-term disqualification of a claimant, encourages a substantially

faster return by the claimant to, at least, part-time work.

- States that are more apt to deny UI benefits to UI recipients who refuse job offers have lower unemployment rates. This suggests that a person's knowledge of such stringency in applying the work test induces people to alter their behavior even though they are not personally denied benefits. Even small increases in denial rates have been correlated with large reductions in unemployment.

- Stricter work search requirements increase the actual work-search efforts of UI claimants. Claimants from states with strict or moderately strict work-search rules are more likely to make more employer contacts and make contacts more often than they would have in the absence of strict work-search rules.

- The more resources the ES allocates to administering the work test, the greater the percent of applicants found ineligible for benefits because, for example, they were not looking for work.

- The way in which the ES monitors the work test does matter. Strengthening and regularizing the way in which initial ES registration is handled and stopping UI payments for failure to report to the ES appears to be a cost-effective procedure.

In addition, these studies found that many employers recognize the benefits of the work test. While some employers may feel they are wasting their time interviewing disinterested workers (that is, those individuals who are simply going to job interviews to meet work test requirements), other employers recognize that the work test can save them millions of dollars. This is because the Federal Unemployment Tax Act (FUTA) taxes employers pay are based on a tax rate determined in part by the amount of UI paid to the employer's claimants.

Based on testimony at the Commission's hearings, there was general support for the ES having a role in administering the work test for UI, Food Stamps, and AFDC recipients. The fact that the ES is financed from employer taxes dictates that there should be a direct role for the ES in facilitating the return of UI claimants to employment. This linkage assists the unemployed, slows the draw down on the unemployment insurance trust funds, and, therefore, helps keep employer taxes down.

Witnesses noted that shortages of ES personnel and funding have affected the extent to which some states are able to administer the work test. In addition, some employers feel that guidance at the federal level might be helpful in bringing consistency and continuity to work test standards and procedures. Because labor markets differ within and among states, however, there would need to be recognition that states should have the flexibility to determine how to conduct the work test for UI eligibility.

A minority of the witnesses thought the ES should not be involved in the work test for UI claimants. Reasons expressed were generally the same as those noted earlier in the literature: it is very time-consuming and not very productive because the typical claimant is not interested in finding a job through the ES but is merely registering to meet the requirements of the UI program. Also, the work test creates an unnecessary workload on the interviewers who could be

spending their energies on placing people who have come to them genuinely in need of assistance in finding a job.

Finally, the Commission heard that the work test should be made a more positive experience for the claimant rather than just a pro forma job referral. The claimant should receive more counseling and interviewers need to spend more time in determining the claimants' needs, such as child care, health care, and the whole range of support systems.

D. What should be the role of the ES in enforcement and compliance activities?

When the ES was established in the 1930's, few of the current protective workplace laws existed. Without such legislation, it was deemed more expedient for the ES to develop protective regulations rather than seek new legislation or establish a new protective mechanism.

As worker protection laws were passed, the role of the ES was interpreted by the U.S. Department of Labor as one of coordination with the responsible agency in bringing about compliance with the law. Other enforcement and compliance functions were stipulated by court order. As noted earlier, these activities have included immigration labor certification and migrant housing standards enforcement.

With regulatory agencies now in specific fields related to the workplace, such as the Occupational Safety and Health Administration (OSHA) and the Employment Standards Administration (ESA), there is some evidence in the literature, and from the Commission's hearings, that many of the enforcement and compliance activities of the ES overlap with activities performed by other agencies in better positions to enforce these laws. There is also some evidence in the literature, although not substantiated at the hearings, that the ES, in some areas, is affording inadequate protection to workers due to the limited sanctions available to the ES, its limited impact, and lack of technical skills and required resources. Furthermore, casting the ES in an enforcement and compliance role is seen by some as being detrimental to a positive relationship with employers and workers.[16]

Testimony provided at the hearings, in general, concluded that enforcement and compliance activities, while responding to important societal goals, were activities not directly related to ES's primary goal of providing labor market exchange services. As such, these activities dilute the agency's original mission. However, there was some support for programs which require enforcement and compliance to coordinate with local ES offices and be funded for their own enforcement and compliance positions, separate from regular ES staff positions. There was also some support for the idea that people occupying these positions be physically located in an ES office to assist in the important exchange of information.

The witnesses further suggested this arrangement could be seen as having positive outcomes. First, ES would be removed from having the posture of an enforcement agency. Second, ES offices would still be able to provide information to both applicants and employers regarding compliance with labor laws.

As pointed out at the hearings, applicants could continue to benefit from the current role of the ES. For example, applicants could still file their complaints through an agency with which they are already familiar, and an

investigation of an applicant's complaint would not affect future job referrals because the ES staff would not be involved in the investigation.

E. How should the ES be financed?

Most of the literature on financing the ES breaks this issue into three sub-issues: 1) What should be the source of funds? 2) What level of funding is needed? and 3) How should resources be allocated?[17]

1. What should be the source of funds?

Almost all funding for the basic grants to states that support the ES come from the Federal Unemployment Tax Act, and are deposited in an Employment Security Administrative Account (ESAA) trust fund. These funds are used to finance the administrative costs of both the ES and UI programs. The ES currently receives about 97 percent of its funds from the ESAA trust fund and 3 percent from general revenues. General revenues include funds from the Veterans Administration, for the provision of veterans' services; the Department of Health and Human Services, for the conduct of the "work test" for certain Food Stamps recipients; and, in some states, from JTPA, for intake assessment, testing, and referrals to job openings.

However, some of the recent literature suggests that if policymakers were to decide that ES should primarily provide labor exchange services, then the FUTA revenues or some combination of employer taxes, user fees, employee charges, or general revenues could be used for this purpose. On the other hand, if it were decided that the principal interest of the ES should be in providing services to low-income and other special groups of workers, then general revenue appropriations might be a more appropriate source of funds.

Witnesses at the Commission's hearings were unanimous in their statements that the ES, as well as the UI program, should continue to be financed through the employers' FUTA tax. The funds generated from the FUTA tax were seen by most witnesses as adequate for funding ES operations if all such funds were returned to the states instead of a significant portion being held in the U.S. Treasury to reduce the size of the federal deficit. There was some support, however, for funding some services that are provided outside the normal core labor exchange services on a fee basis.

2. What level of funding is needed?

As noted earlier, the Congress reduced the ES program budget in 1982. Although funding has been relatively stable over the past six years, averaging about $800 million per fiscal year, the ES has experienced a net decrease in staff due to increased program costs and inflation.

To date, it appears that no systematic approach has been developed to determine the level of funding necessary to operate an effective public employment service which is responsive to the numerous and diverse responsibilities presently assigned to it. Over the years, there have been several proposals for approaching this question: for example, relating ES funding to changes in the size of the population to be served or growth in the labor force; or funding the system based on some measure of the value of the services provided.

At the Commission's hearings, several witnesses said that the major requirement for improving the effectiveness of the ES is to ensure adequate and stable administrative funding. Not only has funding been reduced in real terms through a policy of level funding, the approval of a unified budget concept in federal budget planning and control has set the stage for the withholding of ESAA dollars. This has had the effect of interrupting the flow of these dedicated funds to the states.[18]

In response to reduced funding levels, State Employment Security agencies in many states have greatly curtailed the types, levels, and availability of services provided to both job-seekers and employers. This has been done through staff reductions, office closings, and curtailment or elimination of some core services. Several witnesses told the Commission that sizable reductions in the number of counselors have reduced ES services and that increased funding could be used to provide additional staff as well as effective training for counselors and other ES staff. Witnesses are concerned, that at a time when it is widely recognized the nation's economy is at risk because of a shortage of skilled workers, the national network of ES offices is gradually being dismantled. Rather than focusing on the needs of the labor market, state employment agencies have been forced to focus on cost-cutting measures.

The Commission did learn, however, that while there has been extraordinary pressure on staff and resources, some states have shown ingenuity, innovation, and creativity in stretching scarce dollars. This has been accomplished in some instances by linking ES dollars with other programs, improving public accessibility to services, and undertaking increased utilization of automation. Several states have combined ES and JTPA operations both physically and administratively, as noted previously. In West Virginia, for example, the ES has undertaken a program of automation which will increase the ability of the system to respond more rapidly to the needs of both applicants and employers.

Also, witnesses testified that reduced funding has resulted in the system being increasingly supported by varied sources of non-federal money. Since the mid-Eighties, more and more states are using state dollars to subsidize their Employment Security System programs, both ES and UI. Employers have also expressed their support for Employment Security System programs by paying additional state taxes to support their state's systems. According to testimony, over 32 states have tapped other funding sources to pay for program administration. They include penalty and interest funds and state general revenue funds, which are paid not only by the employers but the general public.

3. How should ES resources be allocated?

The present system of allocating administrative funds to ES (and UI) is founded on the concept of pooling; revenues are collected by the federal government, pooled, and redistributed to the states on the basis of need.

The advantage of pooling is that sparsely populated states and those experiencing high rates of unemployment are helped in maintaining their systems because they get back more funds than their employers send to Washington. The disadvantage is that if the level of funding and the allocation method are inadequate, some states may not receive enough administrative funds. Whereas pooling appears to have achieved its desired results over the years, the concept

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has come under some criticism because of problems with the allocation method.

At one time, allocations for the ES were based upon a complex method in which states were awarded allocations on the basis of staff years, workload projections, and performance. The current ES funding formula, as a result of the 1982 JTPA amendments to the Wagner-Peyser Act, is based on two factors: share of civilian workforce and unemployment, with a three percent set-aside to provide stability and additional support for smaller states.

Several witnesses suggested that the current allocation formula -- two thirds of which is based on a state's relative share of the civilian labor force and one-third based on a state's relative share of unemployed individuals -- is not a reasonable method for determining the funding needs of the states. To provide incentives for the states to be more effective in their operations and in the services provided to employers and job-seekers, the formula could include some type of productivity measure based on ES office results (for example, the number of individuals placed per number of staff-years paid).

The major criticism of the funding formula was directed to the part which bases funding on a state's share of the nation's total civilian labor force. From the perspective of those who testified on this issue, some small states cannot equitably compete with heavily populated states. Basing allocations in part on a state's share of unemployed was not seen as a problem: the number of unemployed individuals represents nearly all of those who are not working and, therefore, generally defines the potential group of individuals who could be served by the ES. However, when unemployment is low, it may be difficult and more expensive for the ES to provide employers with qualified applicants because the remaining pool of applicants will require more intensive services.

IV. CONCLUSIONS

The review of the United States Employment Service (ES) in this paper reveals that the Agency has many more responsibilities than its name would imply. For example, while its role in the administration of the "work test" for unemployment insurance claimants is important, the extent to which the ES should be responsible for other functions, not directly related to its central mission as a free public labor exchange, is an open question.

The decline in real funding appropriations for the Agency has led to staff reductions and local office closings in many states. This has hampered the Agency's effectiveness in providing quality services to employers and job applicants. As a consequence, some states have co-located their ES and Job Training Partnership Act (JTPA) operations; one result of this co-location has been a reduction in unnecessary duplication of services to workers. Other states, some of which have also co-located their offices, are using state revenues and additional employer taxes to supplement federal funds.

With regard to the ES's role in providing services to dislocated workers under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), two

key findings have emerged. First, as a result of EDWAA's mandate regarding coordination, the majority of states have given the ES an important role in providing services to dislocated workers. Secondly, the ES is more involved in providing services to dislocated workers under EDWAA than it was under the previous Title III program. This is true at both the state and local levels. In many states, the ES administers EDWAA, or has a significant role in providing services, as well as the responsibility for the delivery of services at the sub-state level. This experience with EDWAA suggests that programs and agencies can, and do, coordinate when the reasons for coordinating are clear and the objectives are well specified.

If the Employment Service is to be viewed as an integral part of the nation's employment and training system in providing a source of jobs, especially for those who have no other alternative source, the issues raised in this paper need to be resolved.

ENDNOTES

1. The goal of the Targeted Jobs Tax Credit is to improve employment opportunities of certain economically disadvantaged and handicapped job seekers by increasing their earnings and reducing the length of their job search. Any income-tax paying employer that hires an eligible worker is entitled to a tax credit, so long as the worker meets the program's eligibility criteria and the worker's eligibility has been properly certified. Certification is provided through the Employment Service in each state and various other employment and social service agencies working with the Employment Service. (See: Edward C. Lorenz, The Targeted Jobs Tax Credit: An Assessment, National Commission for Employment Policy, Research Report Number 85-01, Washington, D.C., August 1985, pages ii and 9.)

2. Leonard P. Adams, The Public Employment Service in Transition, 1933-1968, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York, 1969, p. 2.

3. Malcolm S. Cohen and David W. Stevens, "The Role of the Employment Service," Paper prepared for the U.S. Department of Labor, Commission on Workforce Quality and Labor Market Efficiency, Washington, D.C., May 8, 1989, p. 2.

4. Adams, pp. 41-44 and 58-60; and William Haber and Daniel H. Kruger, The Role of the United States Employment Service In a Changing Economy, The W.E. Upjohn Institute for Employment Research, Kalamazoo, Michigan , February 1964, pp. 33-35. In addition, court orders have affected the operations of the Employment Service, for example, NCAACP et al. v. Secretary of Labor Hodgson et al. (Later under Secretary of Labor Peter J. Brennan, it came to be known as NAACP v. Brennan.) See: Ronald L. Goldfarb, Migrant Farm Workers: A Caste of Despair, The Iowa State University Press, Ames, Iowa, 1981, pp. 60-113.

5. The amendments to the Wagner-Peyser Act are contained in Title V of the Job Training Partnership Act of 1982. The Omnibus Trade and Competitiveness Act of 1988 created a new Title V of the JTPA; thus United States Employment Service (USES) authority is now Title VI.

6. U.S. Employment Service, Division of Planning and Operations, "The United States Employment Service Data for Program Year 1988 (July 1, 1988 - June 30, 1989)," Washington, D.C., (Undated).

7. U.S. Department of Labor, Interstate Job Bank Center, New York Department of Labor, Albany, New York. The Job Bank is available to all states.

8. Terry R. Johnson, et al , A National Evaluation of the Impact of the United States Employment Service, Report prepared for the U.S. Department of Labor, Employment and Training Administration, SRI International, Menlo Park, California, June 1983, p. 201.

9. U.S. General Accounting Office, Employment Service: Variations in Local Office Performance, GAO/HRD-89-116BR, Washington, D.C., August 1989, p.11; U.S. General Accounting Office,

Detroit Regional Office, "Methodology Paper: Review of the U.S. Employment Service Operations," May 1988, p. 1.

10. U.S. Department of Labor, Employment and Training Administration, "A Reexamination of the Employment Service: Analysis of Public Comments in Response to the Federal Register Notice," Washington, D.C., June 1987. (The report, made available to the Commission by the U.S. Department of Labor, provides a summary of views of respondents to issues related to the DOL-sponsored Employment Service hearings in San Francisco, Denver, Atlanta, and Washington, D.C. during October 1986. In answer to the question: "Does the labor market of the future require a public labor exchange?," ninety-eight percent of the more than 600 respondents answering this question agreed that a public labor exchange will be needed in the future.)

11. Elaine M. Brady, Status of Employment Service and JTPA Coordination: 1987 Survey Findings, Special Report prepared for the National Commission for Employment Policy, National Alliance of Business, Washington, D.C., October 1987.

12. Trade Adjustment Assistance (TAA) includes the following services to dislocated workers: cash benefits (conditional upon their receipt of training), job search assistance, and relocation assistance.

13. U.S. Department of Labor, Employment and Training Administration, Work Search Among Unemployment Insurance Claimants: An Investigation of Some Effects of State Rules and Enforcement, Occasional Paper 88-1, Washington, D. C., 1988, pp. 21-56.

14. For example see: William Haber and Daniel H. Kruger, The Role of the United States Employment Service in a Changing Economy, The W.E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, February 1964, p. 71.

15. Arlene Holen and Stanley A. Horowitz, "The Effect of Unemployment Insurance and Eligibility Enforcement on Unemployment," Report prepared for the U.S. Department of Labor, Public Research Institute, Arlington, Virginia, April 1974; Louis Jacobson and Ann Schwarz-Miller, "The Effect of UI Administrative Screening on Job Search," The Public Research Institute, Alexandria, Virginia, June 1981; Walter Corson, Alan Hershey, and Stuart Kerachsky, Nonmonetary Eligibility in State Unemployment Insurance Programs: Law and Practice, The W.E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1986; U.S. Department of Labor, Employment and Training Administration, Work Search Among Unemployment Insurance Claimants: An Investigation of Some Effects of State Rules and Enforcement, Occasional Paper 88-1, Washington, D.C., 1988; Mathematica Policy Research, Evaluation of the Charleston Claimant Placement and Work Test Demonstration, Report prepared for the U.S. Department of Labor, Employment and Training Administration, Princeton, New Jersey, 1985.

16. Robert Ainsworth, "The Job Service: Defining the Issues," (Draft issue paper), National Commission for Employment Policy, Washington, D.C., July 1980; and U.S. Department of Labor, Employment and Training Administration, "United States Employment Services," Background Paper for the Conference with the Ministry of Labor and Social Affairs of the State of Israel, Washington, D.C., August 24-31, 1979.

17. While there is a great deal of literature addressing the funding issue, the reference for most of the discussion other than the Commission's hearings is: Patricia W. McNeil, "The Employment

Security System: Preparing for the 21st Century," Paper prepared for the United States House of Representatives, Committee on Education and Labor, Washington, D.C., 1987.

18. It was also mentioned at the hearings that other trust funds have been tapped for the surpluses they generate in order to reduce the size of the federal deficit. These include Social Security, Medicare, military retirement, civilian retirement, unemployment, highway, and airport trust funds.

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APPENDIX A

Hearings and Witnesses

"Improving the Effectiveness of the Employment Service"

The National Commission for Employment Policy held two hearings on the subject, "Improving the Effectiveness of the Employment Service" in December 1989. Listed below are the witnesses for each hearing in the order of their appearance in each city.

Philadelphia, Pennsylvania
December 5, 1989

Mr. David Lacey, President and Chief Executive Officer
Philadelphia Private Industry Council
Philadelphia, Pennsylvania
(Mr. Lacey represented The Honorable W. Wilson Goode, Mayor,
City of Philadelphia)

Mr. John J. Heldrich, Chairman
New Jersey Commission on Employment and Training
New Brunswick, New Jersey

Ms. Rosemary Fiumara, Chairperson
Human Resource Committee
Delaware County Chamber of Commerce
Delaware County, Pennsylvania

Ms. Lizanne Batey, Chair
Job Services Committee
National Association of Temporary Services, Inc.
Jacksonville, Florida

Mr. Joseph C. Luman, Washington Counsel
National Association of Personnel Consultants
Washington, D.C.

Mr. David Hughes, Chairman
Employment Advisory Committee for the State of Pennsylvania
Pittsburgh, Pennsylvania

Mr. Richard Wiedman, Administrator
State Veterans' Employment
New York State Department of Labor
Albany, New York

Mr. George Tetler, Director
Employment Services and Operations
New Hampshire Department of Employment Services
Concord, New Hampshire

Mr. Franklin G. Mont, Deputy Secretary
Employment Security and Job Training
Pennsylvania Department of Labor and Industry
Harrisburg, Pennsylvania

Mr. Warren Blue, Chairman
Employee Relations Committee
Council of State Chambers of Commerce
Columbus, Ohio

Kansas City, Missouri
December 6, 1989

Mr. Richard Krecker, President and Chief Executive Officer
Blue Cross and Blue Shield of Kansas City
Kansas City, Missouri

Ms. Ellen O'Brien Saunders, Administrator
Ohio Bureau of Employment Services
Columbus, Ohio

The Honorable Thomas B. Curtis
U.S. House of Representatives (1951-1979)
St. Louis, Missouri

Mr. Vernon Nikkel, Chair
Job Service Employer Committee
Hesston, Kansas

Ms. Shirley Lemon, District Supervisor
Iowa Department of Employment Services
Ottumwa, Iowa

Mr. Perry Chapin, President
South Central Iowa Federation of Labor, AFL-CIO
Des Moines, Iowa

Ms. Dannetta Graves, Administrator
Social Services Division
Montgomery County Department of Human Services
Dayton, Ohio

Ms. Sally Snyder, Executive Director
Business and Industry Employment and Development
Clearwater, Florida

Mr. Doug Roof, Executive Director
Indiana Employment and Training Services
Indianapolis, Indiana

Mr. Chet Dixson, Director
Job Council of the Ozarks
Springfield, Missouri

Mr. Rod Hennegin, Chair
Job Service Employer Committee
Maryville, Missouri

Mr. Kirby Sullivan, Chair
Nebraska Job Service Employer Committee
Valley, Nebraska

APPENDIX B

Other Individuals Providing Testimony

Mr. Ralph G. Cantrell, Commissioner
Virginia Employment Commission
Richmond, Virginia

Mr. K.R. Kiddo, Director
California Employment Development Department
Health and Welfare Agency
Sacramento, California

Mr. Robert H. Morgan, Director
Mississippi Employment Security Commission
Jackson, Mississippi

Ms. Patricia L. Thomas, Commissioner
Vermont Department of Employment and Training
Montpelier, Vermont

Dr. Roger J. Vaughan and Dr. Terry F. Buss
Department of Urban Studies
University of Akron
Akron, Ohio